

FDIC State Profile

Winter 2004

Mississippi

The Mississippi economy continues to expand.

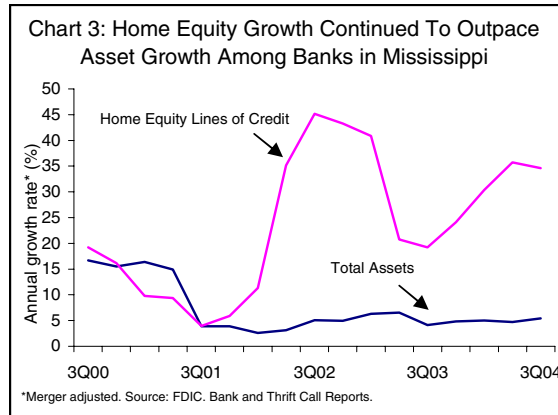
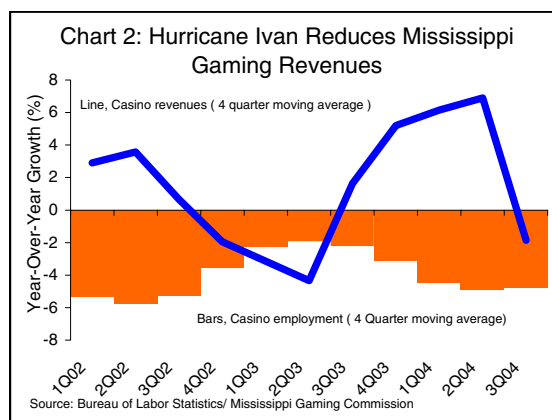
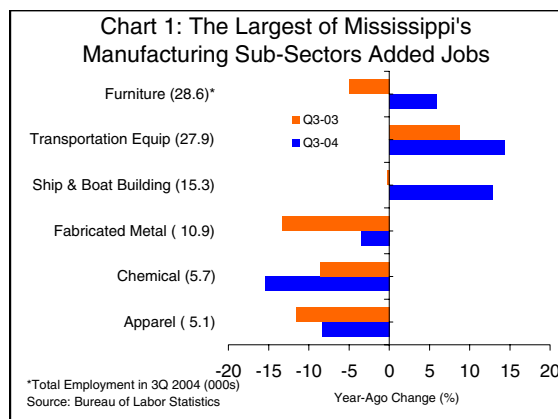
- Mississippi employment grew in third quarter 2004, the third consecutive quarterly improvement, on a year-over-year basis.
- The sectors posting employment gains included business services, education and health, and manufacturing. In contrast, job losses occurred in construction, state and local government, and trade.
- The prospects for overall job improvement in the near term are positive, with the Mississippi Development Authority announcing plans for over 400 business expansions and new establishments during the first ten months of 2004. Those plans call for total capital investment of \$1.4 billion and creation of over 8,000 jobs.

Manufacturing continues to add jobs.

- The Mississippi manufacturing sector gained more than 3,700 jobs in third quarter 2004, only the second quarterly gain on a year-over-year basis in more than four years. The improvement was led by strong job growth in the automotive segment, ship and boat building, and furniture (See Chart 1).
- The near term prospects for manufacturing remain bright with the November announcement that Northrop Grumman Corporation's Ship Systems was awarded a \$470 million contract to build an additional Aegis-guided missile destroyer. Additionally, several auto parts and furniture plants have announced expansions. A recent national monthly survey of manufacturing conditions also suggests overall improvement will continue.¹

Hurricane Ivan hurts Mississippi gaming revenues.

- Gaming revenues in third quarter 2004 fell from one year ago, after four straight consecutive quarterly increases (See Chart 2).² Industry analysts cited the three-day mandatory closure of casinos along the Gulf Coast caused



¹The Institute for Supply Management monthly index rose in October 2004 to 56.8, the 18th consecutive monthly increase above 50, which signals an expansion.

²Mississippi's gaming revenues declined 1.9 percent in third quarter 2004 on a year-over-year basis.

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by Hurricane Ivan in September, subsequent damage to roads along the coastal region, and strong competition as reasons for the slowdown.

- Employment in the gaming industry has declined since first quarter 2001, falling to 29,313 in the third quarter 2004. However, prospects for the industry through 2005 will be boosted by the planned addition of three new casinos in the Gulf Coast market. In addition, several casinos have announced or recently begun projects to expand hotel rooms and amenities in each of the three casino markets, including a \$32 million expansion at the Beau Rivage. Those projects should also bolster construction jobs.

Farm income could decrease in 2005.

- According to the USDA, net farm income is likely to set a record in 2004. However, very strong production levels were pushing general commodity prices down as the year comes to a close, suggesting a decline in income is possible for 2005.
- Catfish producers should benefit from a positive price trend that began in 2004. Industry analysts suggest with shortages looming, prices could rise to as much as 80 cents per pound but still must contend with higher feed costs and operating expenses.³ Unfortunately, producers have suffered from prices below breakeven levels for much of the past two-and-a-half years and for some, improved revenues will come too late to alleviate the severe financial strains of the past few years.

Consumer finances show limited improvement.

- Improving employment conditions and low interest rates undoubtedly helped some Mississippians to improve personal finances; however, overall improvement appears limited. In the first half of 2004 personal bankruptcy filings were at their lowest level since 2000, and the median past-due ratio for non-real estate consumer loans dropped by almost one-half of a percent, as reported by banks headquartered in the state during third quarter 2004.⁴ Unfortunately, even those signs of improvement are somewhat dubious indicators of local consumer financial condition. Compared with other states, Mississippi's median consumer past-due ratio and bankruptcy filing rate rank highest and tenth highest in the nation, respectively. In addition, past-due mortgage and foreclosure rates, as reported by the Mortgage Bankers Association, are very near peak levels.

³During the first eight months of 2004, catfish prices averaged \$0.70 per pound, compared to a 10-year average of \$0.74.

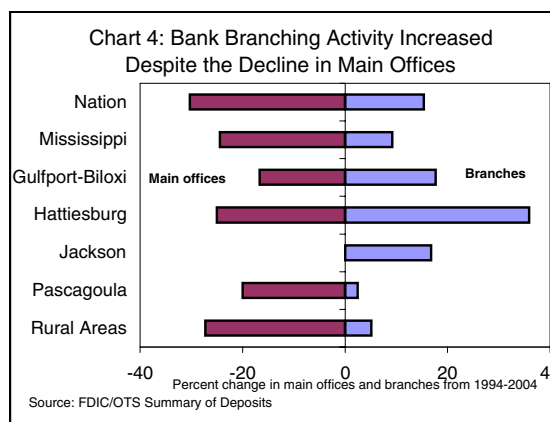
⁴The median past consumer loan due ratio for banks headquartered in Mississippi and in the nation was 3.1, and 1.8 percent in third quarter 2004, respectively.

Mississippi consumers are rapidly increasing home equity loans.

- Mississippians appear to be substituting home equity loans for traditional consumer loans to support their borrowing needs.⁵ While still a relatively small and well performing asset class, home equity lines of credit increased 55 percent in third quarter from one year ago compared with 8 percent for all assets over the same period (See Chart 3).⁶ The favorable performance of this growing loan segment may not be indicative of future performance because delinquencies typically rise for a period of time as loans season. In addition, performance could suffer if the potential for higher interest rates is realized, leading to increased stress on consumer finances.

Branching activity in Mississippi's major markets increased over the decade.

- Similar to national trends, consolidation among insured institutions in Mississippi occurred throughout the last decade while branch activity rose. New branch formation was primarily concentrated in the state's largest and most populated metropolitan areas of **Gulfport-Biloxi**, **Hattiesburg**, and **Jackson** (See Chart 4). The demographics for these areas, such as household income and population growth, contributed to the increasing number of branches. These three metropolitan areas accounted for nearly one third of the total number of the branches in the state in second quarter 2004 and represented more than 60 percent of the state's branch growth during the last decade.



⁵Merger adjusted non-real estate secured consumer loan growth declined 3.4 percent in third quarter 2004 from one year ago and averaged a quarterly decline of 7.2 percent over the past two years.

⁶Home equity lines represented nearly 2 percent of total assets in third quarter 2004; nonperforming and loss rates remained under 1 percent.

Mississippi at a Glance

General Information	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Institutions (#)	102	104	106	108	105
Total Assets (in thousands)	41,820,981	39,676,037	38,103,153	36,266,509	34,905,157
New Institutions (# < 3 years)	1	5	7	10	9
New Institutions (# < 9 years)	15	16	16	16	12
Capital	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Tier 1 Leverage (median)	10.20	10.04	10.13	9.92	10.18
Asset Quality	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Past-Due and Nonaccrual (median %)	2.25%	2.53%	3.03%	3.32%	3.22%
Past-Due and Nonaccrual >= 5%	23	24	22	27	25
ALLL/Total Loans (median %)	1.50%	1.51%	1.42%	1.37%	1.36%
ALLL/Noncurrent Loans (median multiple)	2.17	1.82	1.78	1.97	1.82
Net Loan Losses/Loans (aggregate)	0.27%	0.31%	0.37%	0.38%	0.38%
Earnings (Year-to-Date Annualized)	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Unprofitable Institutions (#)	6	5	3	10	5
Percent Unprofitable	5.88%	4.81%	2.83%	9.26%	4.76%
Return on Assets (median %)	1.17	1.09	1.17	1.08	1.14
25th Percentile	0.87	0.79	0.89	0.69	0.84
Net Interest Margin (median %)	4.14%	4.16%	4.30%	4.05%	4.37%
Yield on Earning Assets (median)	5.68%	6.04%	6.81%	8.06%	8.27%
Cost of Funding Earning Assets (median)	1.57%	1.84%	2.51%	4.07%	4.03%
Provisions to Avg. Assets (median)	0.15%	0.19%	0.18%	0.19%	0.17%
Noninterest Income to Avg. Assets (median)	0.97%	0.91%	0.87%	0.88%	0.85%
Overhead to Avg. Assets (median)	3.17%	3.12%	3.07%	3.02%	2.90%
Liquidity/Sensitivity	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Loans to Deposits (median %)	75.28%	74.42%	73.64%	73.72%	75.10%
Loans to Assets (median %)	62.70%	61.59%	60.90%	62.15%	63.79%
Brokered Deposits (# of Institutions)	15	12	11	11	13
Bro. Deps./Assets (median for above inst.)	2.35%	2.73%	2.02%	3.75%	4.19%
Noncore Funding to Assets (median)	22.29%	21.16%	21.47%	21.70%	20.45%
Core Funding to Assets (median)	65.91%	67.21%	67.23%	66.56%	68.45%
Bank Class	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
State Nonmember	74	75	77	79	77
National	19	20	20	20	19
State Member	1	1	1	1	1
S&L	4	4	4	4	4
Savings Bank	3	3	3	3	3
Stock and Mutual SB	1	1	1	1	1
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	88	29,118,322	86.27%	69.63%	
Jackson MS	6	8,335,873	5.88%	19.93%	
Biloxi-Gulfport-Pascagoula MS	5	3,940,454	4.90%	9.42%	
Hattiesburg MS	2	243,652	1.96%	0.58%	
Memphis TN-AR-MS	1	182,680	0.98%	0.44%	